

AR08

# MONTEX APPAREL INDUSTRIES LIMITED



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ANNUAL REPORT *for the year ended 31st December 1968*



## To The Shareholders

From the attached statements, it can be seen that the year 1968 was a period of transition and consolidation. In July, 1968, pursuant to authorization of the shareholders given at last year's annual meeting, the Company sold its Quebec subsidiaries. Economy measures instituted during the course of the year have reversed the large operating losses incurred in the years 1966 and 1967. The combined loss for the two years 1966 and 1967 amounted to well in excess of one million dollars, whereas operating profit for 1968 amounted to \$30,747.

As part of our study of all Company operations, with the co-operation of our auditors, we have made a careful examination of the Company's assets and their bases of valuation. As a result of this examination, we have in a number of cases reduced the value of our assets. We have taken this step because we feel an accurate presentation of our financial situation is requisite to securing information on which we can plan the future profit growth of our Company. Regrettably, this examination by ourselves and our auditors delayed presentation of this financial information to you, however, we feel the value in terms of more informative financial information which will result in future periods, is a worthy justification for this delay.

Although our performance for the year is a great improvement over the past, our attention and planning has been and is directed towards projecting our Company into a new phase of increased profitability. We have been making major efforts to revitalize our Company both in the reorganization of people and resources, and have many programs in various stages of completion towards this end. We have recently sub-let part of our Ronson Drive premises and are negotiating for the sub-lease of the balance.

We have put together a young and aggressive management team and are building to ensure the Company's future. All of us, of course, are impatient to achieve our

goal of increased profitability. However, it would be foolish to believe we can achieve all our goals overnight. I believe rather that our Company will move towards its profit goal by gradual and progressive steps.

This is to some extent borne out by the results of our first quarter of 1969 in which a loss of \$90,000 was incurred on sales of approximately \$1,700,000 as compared to first quarter sales in 1968 of approximately \$1,800,000. This year's loss was not unexpected as our Company traditionally incurs losses in this period. This loss was in part caused by the move of our subsidiary, Unique Crests and Athletic Supplies Limited, to new premises. The losses arising from the shutdown of facilities were necessary in order to properly organize this company for future expansion and efficient operations. I believe that we are taking the proper and necessary steps to build towards the future, but the full benefits of programs presently being instituted may not be fully realized in the current year.

I would like to express my own word of thanks to our hard-working and loyal staff of employees without whose co-operation, the attainments of the past year would not have been possible.

On behalf of the Board,

Nathan Lieberman,  
President.

MONTEX APPAREL INDUSTRIES LIMITED  
(Incorporated under the laws of Ontario)  
and subsidiary companies

## Consolidated Balance Sheet

### ASSETS

#### CURRENT ASSETS

Cash .....	\$ 111,714
Accounts receivable .....	1,627,281
Land and building for sale (Note 2) .....	119,933
Inventories (Note 3a) .....	2,460,144
Prepaid expenses .....	28,213
	<u>\$4,347,285</u>

#### FIXED ASSETS, at cost

Land .....	36,964
Buildings .....	766,690
Machinery, equipment and leasehold improvements .....	3,692,631
	<u>4,496,285</u>
Less accumulated depreciation and amortization .....	2,970,698
	<u>1,525,587</u>

#### DEFERRED CHARGES

Bond issue expense, less amortization .....	35,073
Deferred pension contribution .....	18,476
Leased equipment, installation costs, less amortization .....	16,200
	<u>69,749</u>
	<u>\$5,942,621</u>

Approved by the Board

N. LIEBERMAN, Director

A. BASEN, Director

as at December 31, 1968

LIABILITIES

CURRENT LIABILITIES

Bank advances, against which accounts receivable and inventories have been pledged .....	\$2,013,347
Accounts payable and accrued liabilities .....	663,067
Income and other taxes payable .....	78,123
Current portion of long term debt .....	585,000

\$3,339,537

LONG TERM DEBT

First mortgage sinking fund bond (Note 4) .....	2,465,000
6% Notes due \$10,000 semi-annually to 1971 .....	60,000
Less principal instalments included in current liabilities .....	585,000

1,940,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5)

Authorized

126,883 5 1/2% Cumulative, convertible first preference shares,  
par value \$8, redeemable at \$8.40 per share

2,028,801 Common shares without par value

Issued

126,883 Preference shares .....

1,015,064

1,167,915 Common shares .....

2,818,710

3,833,774

DEFICIT .....

3,170,690

663,084

\$5,942,621

**Auditors' Report**

To the Shareholders of  
**Montex Apparel Industries Limited**

We have examined the consolidated balance sheet of Montex Apparel Industries Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Because we were not the auditors in the previous year and because of uncertainty as to the values attributed at

December 31, 1967, to certain assets we are not in a position to express an opinion on the accompanying consolidated statements of income and deficit and source and application of funds for the year ended December 31, 1968.

In our opinion the accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1968 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in accounting practice set out in note 3, with which we concur.

Toronto, Canada,  
May 16, 1969

Thorne, Gunn, Helliwell & Christenson  
Chartered Accountants

MONTEX APPAREL INDUSTRIES LIMITED  
and subsidiary companies

**Consolidated Statement of Income and Deficit**  
for the year ended December 31, 1968

Sales .....		\$7,718,912
Costs and operating expenses before items shown below .....	\$7,339,632	
Depreciation and amortization of fixed assets (Note 3b) .....	154,258	
Interest on long term debt and amortization of bond issue expense .....	194,275	7,688,165
Income from operations before special charges .....		30,747
<b>Special charges</b>		
Loss on sale of Quebec subsidiaries (Note 1) .....	1,941,114	
Revaluation of inventories (Note 3a) .....	333,462	
Deferred charges and other assets written off (Note 3c) .....	361,100	
Accounts receivable at beginning of year written off .....	96,839	
Settlement of prior years' suppliers' claims .....	48,544	2,781,059
Loss for year and special charges .....		2,750,312
Deficit at beginning of year .....		420,378
Deficit at end of year .....		<u>\$3,170,690</u>

MONTEX APPAREL INDUSTRIES LIMITED  
and subsidiary companies

**Consolidated Statement of Source and Application of Funds**

for the year ended December 31, 1968

**Source of funds**

Operations

Income from operations before special charges .....	\$ 30,747
Items not involving a current outlay of funds	
Depreciation and amortization of fixed assets .....	\$154,258
Amortization of deferred charges .....	6,550
\$160,808	\$ 191,555
Sale of Quebec subsidiaries (less \$23,347 costs applicable thereto) .....	1,176,653
Land and buliding held for sale .....	119,933
Mortgages receivable .....	17,737
Special refundable tax .....	4,458
	<u>1,510,336</u>

**Application of funds**

Revaluation of inventories (Note 3a) .....	333,462
Accounts receivable at beginning of year written off .....	96,839
Settlement of prior year's suppliers' claims .....	48,544
Additions to fixed assets, net .....	37,945
Decrease in non-current portion of long term debt	
First mortgage bonds .....	700,000
6% notes payable .....	20,000
5% notes payable .....	365,000
Other applications .....	20,112
Decrease in working capital .....	1,621,902
Working capital at beginning of year* .....	111,566
Working capital at end of year .....	<u>1,119,314</u>
	<u>\$1,007,748</u>

\*After eliminating working capital of Quebec subsidiaries sold effective January 1, 1968.



DIRECTORS: A. Basen  
W. A. Corbett  
G. F. Garfield  
F. Levasseur  
N. Lieberman  
D. A. McIntosh, Q.C.  
D. N. Mendels  
A. E. Saunders  
G. W. Thornes

OFFICERS: N. Lieberman, President and  
Chief Executive Officer  
A. Basen, Executive Vice-President and Treasurer  
W. A. Corbett, Secretary  
A. D. Freeman, C.A., Vice-President - Finance  
L. VanBuskirk, Assistant Treasurer

TRANSFER AGENTS: Common: The Royal Trust Company,  
Toronto and Montreal  
Preference: Canada Permanent Trust Company,  
Toronto and Montreal

LEGAL COUNSEL: Fraser & Beatty

AUDITORS: Thorne, Gunn, Helliwell and Christenson

STOCK EXCHANGE: The Toronto Stock Exchange



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